



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
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<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

September 26, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name of the Chief Executive Officer.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

PROPOSITION 62 UTILITY USER TAXES – SETTLEMENT AND DESIGNATION ACCOUNT

After several closed session meetings, your Board authorized settlement of the lawsuit entitled *Oronoz et al. v. County of Los Angeles* that challenged the constitutionality of the County's Utility User Tax ordinance.

In fiscal year 2007-08, in anticipation of potential settlement payments, expenditures have been recognized in the Judgment and Damages budget unit for \$65 million. A corresponding contingent liability of \$65 million has also been recognized on the County's General Fund balance sheet. These accounting actions are consistent with the County's budgetary accounting policy of recognizing the estimated cost of probable claims and settlements that are expected to be paid within the following fiscal year.

Several years ago, a Designation for Budgetary Uncertainties Account was established to prepare for any potential settlement payments that would arise over a three-year statute of limitations period. The current balance in the Designation is \$245.6 million.

During the Supplemental Resolution Budget meeting of October 7, 2008, and included in the Auditor-Controller's Request to Approve the Final Budget Adjustments for 2007-08, is an adjustment to reduce the Designation for Budgetary Uncertainties Account by \$65 million to offset the expenditures in the Judgment and Damages budget unit, which leaves a balance in the Designation Account of \$180.6 million. Due to the status of the litigation, the balance of the \$180.6 million will remain in the Designation until the outstanding questions regarding the County's further exposure have been clarified.

"To Enrich Lives Through Effective And Caring Service"

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Each Supervisor
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If you have any questions or need additional information, please contact Ed Corser at (213) 974-2291.

WTF:SRH:DIL
SK:EC:AB:yjf

c: Auditor-Controller
County Counsel

Prop.62.Designation.bm